

BILLING CODE: 3710-08

DEPARTMENT OF DEFENSE

Department of the Army

Mandatory Provision of Full Replacement Value Coverage by Department of Defense Personal Property Transportation Service Providers (TSPs)/Contractors

AGENCY: Department of the Army, DOD.

ACTION: Notice

SUMMARY: Pursuant to Chapter 157, §2636a of Title 10 United States Code enacted by Congress on 26 Nov 2003, as amended by the Department of Defense Authorizations Act for FY 2007, the Military Surface Deployment and Distribution Command (SDDC), as the Traffic Manager for Department of Defense (DOD) Personal Property Program, is informing the Transportation Service Provider (TSP)/contractor community of the mandatory requirement to provide Full Replacement Value (FRV) coverage to all customers of the DOD Personal Property Program. The cost of FRV shall be included in contracts with movers and FRV shall be made available to Service members and civilian employees.

All shipments that have been picked up or are already in storage prior to the effective dates noted below will not be required to be covered by FRV. This notice affords TSPs/contractors ample time to incorporate the cost of providing FRV for loss/ damage protection into their rates.

EFFECTIVE DATES: There are two scenarios for the implementation of Families First and the cost of the new program to include FRV.

1. The Defense Personal Property System (DPS) has a notional implementation timeline that may partially implement the new Families First (FF) program to include FRV in May 2007 to some customers moving under the DoD Personal Property Program for shipments in the dHHG, iHHG and iUB markets (excluding NTS, DPM and ITT). FF/FRV should be fully implemented to the remaining customers under this notional timeline by November 2007. This schedule is dependent upon successful Software Acceptance Testing (SAT). If SAT is successful, rate filing to support this timeline will occur during March 2007 for all TSPs. If SAT is not successful, and DPS is not implemented under this notional timeline, FRV will be implemented to all DOD customers as indicated in the “effective dates” below. It is necessary for all TSPs to file rates under the current program in the event DPS is not implemented as planned.

2. Current Program Implementation: The cost for FRV coverage shall be included in all rates for the International Household Goods (iHHG) program, the Unaccompanied Baggage (UB) program, the Domestic Household Goods (dHHG) program, Intra-Theater Tender (ITT) program, Non-Temporary Storage (NTS) program, and the Direct Procurement Method (DPM) program according to the following schedule:

For the international household goods (iHHG) program and unaccompanied baggage (UB), rates filed for the International Winter 2007 (IW07) rate cycle shall include the cost of providing FRV coverage for all shipments picked up on or after October 1, 2007.

For the domestic household goods (dHHG) program, all rates filed for the Domestic Winter 2007 (DW07) rate cycle shall include the cost of providing FRV coverage for all shipments picked up on or after November 1, 2007.

For the Intra-Theater Tender (ITT) program all rates effective on or after April 1, 2008 shall include FRV coverage.

For the Non-Temporary Storage (NTS) program, shipments ordered with a date on or after March 1, 2008 shall include FRV coverage. New rates that include the cost of providing FRV must be postmarked between December 16, 2007 and January 15, 2008.

All DPM contracts will be amended to require the provision of FRV. Contracts having one or more years remaining on March 1, 2008 will be modified to include the provision of FRV at the stated limits. Contracts which are due to expire within one year of March 1, 2008 will not be amended to require FRV. The follow-on contracts will include the provision of FRV at the stated limits.

SUPPLEMENTARY INFORMATION: FRV coverage shall be provided at the following limits: If a claim is filed directly with the TSP/contractor within nine (9) months of delivery, then the TSP's/contractor's maximum liability on each HHG and UB shipment will be the greater of: 1) \$5,000 per shipment; or 2) \$4 times either the net weight of the HHG or \$4 times the gross weight of the UB, in pounds, not to exceed \$50,000.

Certificate of Cargo Liability Insurance/Certificate of Warehousemen's Liability Insurance must also reflect the new FRV limits. The TSP/contractor must report settled claims information to SDDC within seven calendar days of claims settled.

Implementing guidelines and procedures covering liability for loss/damage along with the claims process can be found on SDDC's web site: www.sddc.army.mil (HOT ITEMS/Full Replacement Value).

ADDRESS: Requests for additional information may be sent by e-mail to:

FRVComments@sddc.army.mil; or by courier to: Military Surface Deployment

Distribution Command, ATTN: SDDC-PPP, Room 10S67-31, Hoffman Building II, 200 Stovall Street, Alexandria, VA 22332-5000.

BACKGROUND:

Chapter 157, Title 10 US Code §2636a, also known as The Full Replacement Value Act of 2003, was passed on November 26, 2003. This law amended (in part) Chapter 157 of Title 10 by inserting after section 2636 a new section §2636a entitled, "Loss or damage to personal property transported at Government expense: full replacement value; deduction from amounts due TSPs." This law allows the Secretary of Defense to include a clause for full replacement value in contracts with TSPs. It also allows a deduction of the FRV from the amount due to a carrier if the carrier fails to settle.

The FRV Act allowed for immediate inclusion of FRV into the Personal Property Program, but SDDC decided to delay FRV to coincide with the roll-out of the reengineered future Personal Property Program known as Families First. Current uncertainty surrounding the actual roll-out date of Families First and the Defense Personal Property System (DPS) has caused Congress and SDDC to decide to implement FRV into the current Personal Property Program.

In June 2006 the Senate Arms Services Committee published the following recommendation:

“Subtitle C--Travel and Transportation Allowances

Expansion of payment of replacement value of personal property damaged during transport at Government expense (sec. 631)

The committee recommends a provision that would amend Section 2636a of Title 10, United States Code, to require the Secretary of Defense, no later than March 1, 2008, to include in contracts for the transportation of baggage and household effects for military members and civilian employees a clause requiring the carrier to pay the full replacement value for loss or damage. The provision would also require certain certifications by the Secretary about, and a review and assessment by the General Accountability Office on December 1, 2006, and June 1, 2007, of the “Families First” program.

The committee believes that the time is past due for implementing the contractual authority requested by the Department in 2003 and included in section 634 of the National Defense Authorization Act for Fiscal Year 2004 (Public Law 108-136). Military personnel and their families have waited long enough for realization of the Families First promise of full replacement value for household goods lost and damaged by movers in connection with permanent changes of station.

The committee has concluded that implementation of the full replacement standard for both military members and civilian employees by means of

contractual changes with TSPs must precede implementation of the Defense Personal Property System (DPS) under the Families First program.”

Regulation Flexibility Act

This action is not considered rule making within the meaning of Regulatory Flexibility Act, 5 USC 601-612.

Paperwork Reduction Act

The Paperwork Reduction Act, 44 USC 3051 et seq., does not apply because no information collection or record keeping requirements are imposed on contractors, offerors or members of the public.

//Signature on File//

Steven L. Amato

Colonel, U.S. Air Force

DCS, Passenger and Personal Property